
# What Impacts *the Energy Markets*

**With the presidential election on the horizon, you likely have questions about how the result could impact the energy markets — and if you should wait to consider your business's energy strategy.** We know this can be a challenging time for businesses, and there's a lot to consider. But while the outcome of the 2024 presidential election is likely to have implications on the future of energy in the U.S., change takes time.

A president's administration can impact energy prices through policy related to energy production, environmental regulation, subsidies, and infrastructure investment. The effects can be both short- and long-term, depending on their priorities and the balance between renewable and fossil fuel energy sources. Overall, Democratic administrations tend to focus on long-term sustainability and renewable energy, potentially increasing short-term costs, while Republican administrations typically prioritize cost reduction and deregulation, which can maintain lower prices in the short term but may affect long-term sustainability and price stability.

Regardless of which administration takes office, the effects won't be immediate. What's most important to understand are the variables that impact pricing and how to best mitigate risk. Let's get started by taking a look at the significant factors.

# KEY FACTORS IMPACTING THE ENERGY MARKETS

## Supply and Demand

When it comes to what you'll pay for your energy, what's most significant is simple supply and demand — and the factors affecting this dynamic. These include:

- **Natural gas production and storage levels**
- **Renewable generation output**
- **Energy infrastructure buildout**
- **Energy exports, notably liquefied natural gas (LNG)**
- **Increasing power demand from artificial intelligence (AI) and data center growth**
- **Variations in winter and summer weather**

Storage is a key consideration: In the last decade, domestic production of natural gas has grown substantially, and storage volume hasn't kept pace. The volume of gas in underground storage fields has a considerable influence on the overall supply/demand balance, as this storage helps meet daily and seasonal changes in demand. On the power side, we don't yet have the mechanisms to store electricity on a wide scale. In turn, power prices tend to rise with the price of natural gas but remain volatile for longer. Until the industry builds out more storage, we're going to continue to see market volatility.

## Energy Production, Infrastructure, and Transmission

The price of fossil fuels is tied to the extraction, processing, and transportation of these fuels, while technological advancements in renewable energy continue to influence energy prices as well. Broad investments in the U.S. power grid and natural gas transmission infrastructure also contribute to energy pricing. These expenses vary based on location, population density, and the quality of the energy distribution network. How quickly this infrastructure is built out is often influenced at the state and local level, even if related policy comes from the federal level.

Additionally, the U.S.'s steady growth of LNG exports — an economic effort first approved by the Obama Administration and built on by both the Trump and Biden administrations — will continue to affect prices.

## Geopolitics

Global conflicts, sanctions, and trade agreements can have a significant impact on energy pricing. Political instability in major energy-producing regions can disrupt supply chains and lead to price volatility.

## Extreme Weather

Historically warm winters and summers have led to volatility in the natural gas markets and an increase in demand for electricity needed to cool homes and businesses. Summer 2024 is currently forecasted to be hotter than average, with some forecasts showing a "Top 10" hottest summer.

**We're here to assist you in navigating market risks and opportunities, crafting a strategy that aligns with your business goals. Our experts at IGS Energy can help you develop a forward-looking strategy that empowers your business to grow, thrive, and innovate both now and in the future.**